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State Of Maryland
Multi-Service Center Study

PHASE 700
Progress Report

Financial Feasibility

MARYLAND DEPARTMENT OF STATE PLANNING

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STATE OF MARYLAND MULTI-SERVICE CENTER STUDY

PHASE 700
PROGRESS REPORT

CONCEPT FINANCING & FEASIBILITY

MARCH, 1974

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FOREWORD

At the direction of Governor Marvin Mandel and the legislative authorization of the General Assembly - Chapter 179 of the Acts of 1972, General Construction Loan of 1972, Item 32 - a budget authorization of $250,000 was approved for "preparation of a program and plan, including a feasibility study for state multi-purpose centers to provide for convenient and efficient service delivery."

These actions were in response to a Department of State Planning Study which outlined the problems inherent in the present system for delivery of services from dispersed locations of State Agencies and the concern of the Governor and Maryland General Assembly over rising space costs and increasing citizen needs and requirements.

The Maryland Department of State Planning is conducting this study to determine both the feasibility and desirability of establishing a network of State MULTI-SERVICE CENTERS throughout Maryland providing one-stop service delivery directly, conveniently, economically, and personally to residents of the state.

If the concept proves to be feasible, the study will also provide

plans for locating and developing such centers and/or for complementary alternative methods of providing such services throughout Maryland.

The State of Maryland is one of the most rapidly urbanizing states in the nation. This growth has brought into focus the requirement for delivery systems capable of responding to current and anticipated service needs within the fiscal resources of the state.

Experimental service centers on a lesser scale have been developed in various cities in the United States. However, there is not yet general agreement as to the form such service centers should take - either in their human resource and response organization, their spatial organization, their locational criteria, or their management and fiscal economy programs. This study will delve deeply into all of these aspects.

Simultaneously, the Department of State Planning is underway on two other major study endeavors which have an extremely close relationship to this study... the Generalized State Land Use Plan and the Human Resources Plan.

Ideally, and perhaps without precedent, the Study Team and the State Planning Coordinating Committee will provide a parallel participation in all three studies. This process will optimize the guiding of inquiry, the provision and conversion of information, and the formulation of premises and will assure that the resultant findings and recommendations are sensitive and responsive to varying state and local systems and requirements.

This MULTI-SERVICE CENTER STUDY is being produced by the consultant firm of Gruen Associates, Inc. It is to be a fifteen month task and is divided into twelve distinct study phases. The specific purpose of each of the twelve study phases is described in the Phase 100 - Progress Report.

Phase 700, Concept Financing and Feasibility, was prepared by URBAN PATHFINDERS, INC. under a subcontract with Gruen Associates, Inc. and is presented in this report.

SUMMARY

SUMMARY

Phase 100 through 500 of this study have identified, described, and analyzed in a qualitative way, several concepts for the delivery of state services to the citizens of Maryland. Phase 500 selected two concepts for futher analysis. Phase 600 analyzed and compared the two principal concepts (Concept A, existing system, and Concept F, Multi-Service Center Study) on the basis of overall costs and benefits, and ranked the two concepts in order of greatest benefit value at least cost. The cost/benefit relationship was examined from the point of view of the user of state services (the Maryland citizen), as well as from the point of view of the state government. Phase 600 identified the Multi-Service Center concept as the preferred service delivery system from a cost/benefit standpoint.

Phase 700 builds upon the Phase 600 methodology to explore the costs of implementing the service delivery system concepts. Specifically, Phase 700 answers two questions:

(1) What are the total operating and capital costs associated with implementing the MSC concept?

(2) To what extent is the State of Maryland capable of funding the MSC concept?

The report concludes that implementation of the Multi-Service Center system, depending on the means of funding, is a $106 million to $148 million undertaking which is within the state's capital funding capacity. Over the 30 year planning period the

Multi-Service Center concept offers significant savings (about $1 billion) to the State of Maryland when programmed on an accelerated basis.

Current annual costs for delivery of program services included in the MSC system exceed $200 million and represent 15% of the 1970 Maryland state budget. By the end of the 30 year planning period, annual costs (in constant 1970 dollars) could exceed $366 million annually under the existing service delivery system. The MSC concept could hold annual costs to $234 million at the end of 30 years.

Implementation of the MSC concept and its concommitant construction program will increase the state's capital debt burden. The impact of this debt burden on the individual state taxpayer will not be insignificant, but operational costs savings will more than offset the cost of MSC system capital improvements and can be returned to the taxpayer.

PHASE 700
PROGRESS REPORT

APPROACH

To explore the fiscal feasibility of implementing a particular service delivery system concept, a three step approach is undertaken in this phase of the study:

(1) Identify system implementation costs

(2) Explore the fiscal condition of the State of Maryland

(3) Apply the values identified in step 1 to the knowledge gained in step 2, to find the fiscal impact of implementing the system.

Implementation costs are estimated using a 30 year planning period (1970-2000) and constant 1970 dollars. Two general categories of costs are analyzed: operational and capital. Over the 30 year planning period, costs are developed for each decade. Since the MSC system results in operational efficiencies over time, associated costs are considered for three implementation rates to determine the magnitude of savings in total system costs. The actual cost values are developed from modifications to the state cost model of Phase 600 (see Appendix 600 A).

Examination of the fiscal condition of the State of Maryland combines a research effort (compiling data on budgets, capital expenditures, debt service, etc.) with an interpretive effort (relating an increase in total debt outstanding to its effect on the individual taxpayer, for example).

The third step is a synthesis of the first two efforts. It reviews the costs of implementation in light of the state's ability to absorb these costs in both a quantitative and qualitative sense and ultimately ranks the alternatives in order of funding feasibility. The third step also examines such peripheral issues as funding allocation criteria for different governmental levels occupying MSC's, and potential intergovernment fiscal arrangements when entities besides the State of Maryland are MSC occupants.

This report is presented in three parts, each corresponding to one step in the analysis. Part I, IMPLEMENTATION COSTS, arrays the total projected planning period costs (operational and capital) for the existing service delivery system and for the MSC alternative system with varying implementation rates. Part II, STATE FISCAL CAPACITY, looks at the Maryland state budget with a view to identifying major revenue sources of incremental changes in expenditures, both operational and capital. Part III, SYNTHESIS, applies the actual cost values associated with MSC system implementation developed in Part I, to the impact parameters of Part II, to identify the specific demands MSC implemention may be expected to make on available funding sources.

PART I

IMPLEMENTATION COSTS

TOTAL PLANNING PERIOD COSTS

Table 1 arrays the total planning period (30 years) costs associated with four service delivery concept implementation plans: (1) Concept A, the existing delivery system; (2) Concept F1 represents the Multi-Service Center system evenly implemented in 10 year periods over the 30 year planning period; (3) Concept F2 is the Multi-Service Center system with moderately accelerated implementation: 60% the first decade, 25% the second decade, and 15% the third decade; (4) Concept F3 is a more rapidly accelerated program of MSC implementation: 85% the first decade, 10% the second decade, and 5% the third decade.

In all cases, the starting point for analysis is the existing system in 1970; the end point is the system (Concept A or Concept F) designed to serve the year 2000 state population. Constant 1970 dollars are used. Each Concept F implementation program begins in year 0 with the costs, facilities, equipment, and personnel associated with the existing system and gradually replaces them with MSC costs and quantities over the 30 year period, in accordance with table 2, Office Space/Personnel Phasing.

The table 1 values indicated that total expenditures for service delivery over the 30 year planning period would be almost $8.2 billion under Concept A. A total of $897 million could be saved if Concept F1 were implemented and an additional $198 million would be saved under the accelerated implementation of Concept F3.

Table 1

TOTAL PLANNING PERIOD COSTS
(1970 Constant Dollars, in Millions)

	OPERATIONS	+	CAPITAL*	=	TOTAL
Concept A	$ 8,172	+	$ 2	=	$ 8,174
Concept F1	$ 7,129	+	$ 148	=	$ 7,277
30 - 30 - 30					
Savings Over Concept A	$ 1,043	+	(146)		$ 897
Concept F2	$ 7,031	+	$ 148	=	$ 7,179
60 - 25 - 15					
Savings Over Concept A	$ 1,141	+	(146)		$ 995
Concept F3	$ 6,932	+	$ 148	=	$ 7,080
85 - 10 - 5					
Savings Over Concept A	$ 1,240	+	(146)		$ 1,094

*Assumes debt financing, 15 year bonds @ 4.75% interest

NOTE: Parentheses are used to reflect negative amounts

The reasons for these savings under Concept F are apparent from Figure 1 which plots the total annual cost incurred against the implementation year. Concept A annual costs increase linearly with time, since this service delivery system requires additional facilities, equipment, and personnel in direct proportion to the increasing state population. The Concept F (1, 2, and 3) total annual costs decrease each year of the planning period (up to the end of the planning period) because the MSC delivery system requires fewer new state employees and less total state office space at the end of the planning period than the existing requires at the end of the same period (table 2). The analysis assumes that an incremental implementation of the MSC system results in a proportional increase in system efficiency and cost savings.

Figure 1 also demonstrates how total costs are reduced more rapidly as MSC system implementation is accelerated. The area between curves F1 and F3, for example, represents the $197 million total planning period difference between these two implementation programs. (For clarity, curve F2 has been omitted. When plotted, its values lie between those for F1 and F3). Relative to the total amount to be expended over 30 years on service delivery ($7.3 billion under program F1) the savings due to accelerated implementation are about 3%. The savings over F1 in implementing system F2 are less: $98 million or 1.3%.

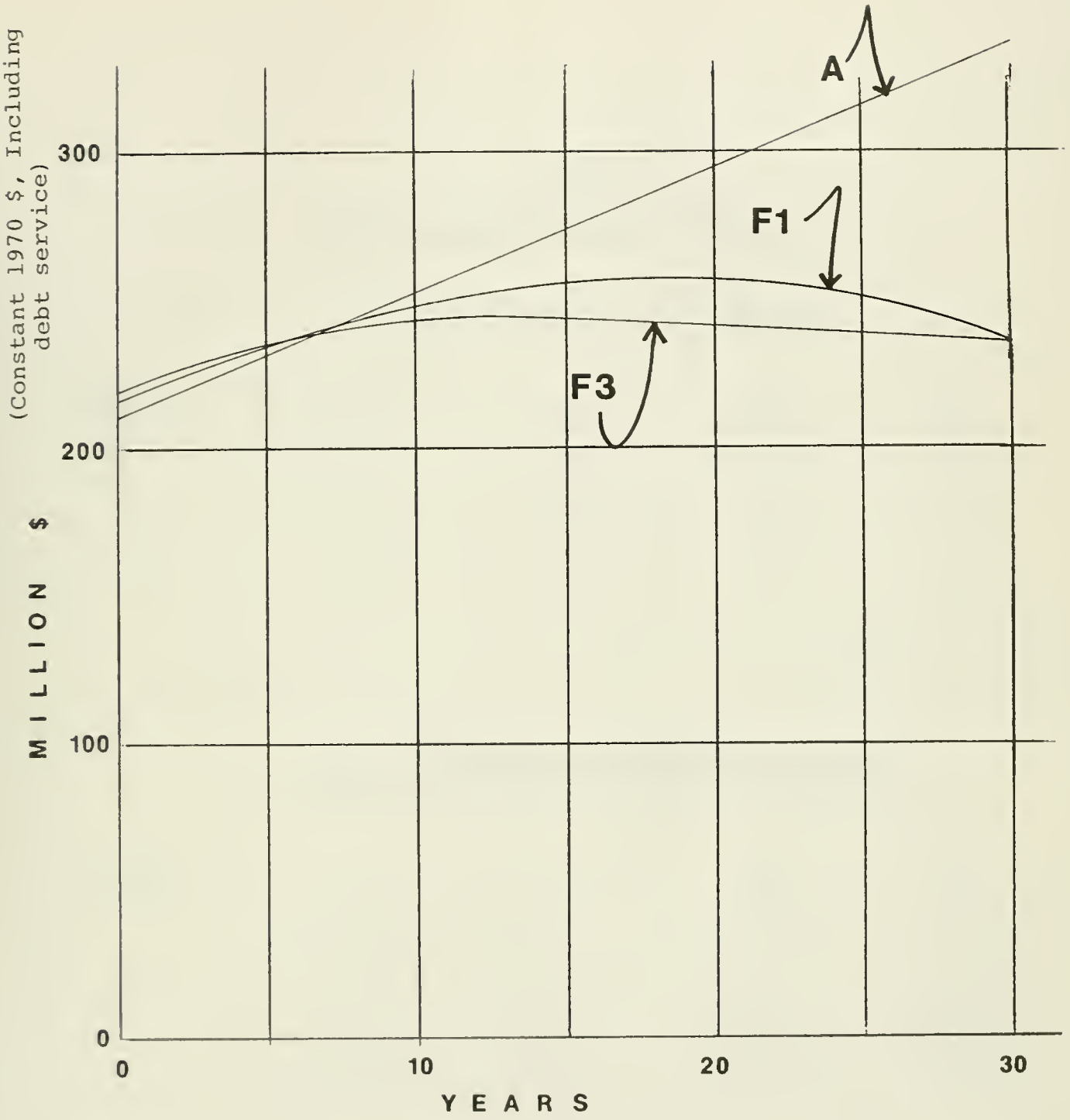


FIGURE 1

TOTAL ANNUAL SERVICE DELIVERY SYSTEM COSTS

Table 2

OFFICE SPACE/PERSONNEL PHASING

TOTAL OFFICE SPACE (MILLION SF)

Concept	YEAR 0	10	20	30
A	1.4	1.6	1.9	2.2
F1	1.4	1.5	1.6	1.7
F2	1.4	1.6	1.6	1.7
F3	1.4	1.6	1.7	1.7

TOTAL NO. OF EMPLOYEES
(SERVICE DELIVERY AND OVERHEAD PERSONNEL)

Concept	YEAR 0	10	20	30
A	14,800	17,600	20,720	23,680
F1	14,800	17,190	17,780	15,790
F2	14,800	17,050	17,200	15,790
F3	14,800	16,760	16,790	15,790

From a total cost standpoint, then, implementation of Concept F should proceed on an accelerated basis. The degree of acceleration is problematical, though, since implementation may be constrained more by physical (design and construction) and political factors than by economic ones, and the percentage benefits to be gained though acceleration are relatively small. The 85% first decade implementation suggested by Concept F3 is likely to be the maximum that is possible from a practical standpoint. In order of least total planning period cost, the concepts may be ranked as follows:

CONCEPT/RANK	CONSTRUCTION PROGRAM PER DECADE (PERCENT)	TOTAL PLANNING PERIOD COST (MILLIONS, 1970 $)
1. F3	85/10/5	$ 7,080
2. F2	60/25/15	7,179
3. F1	33/33/33	7,277
4. A	33/33/33	8,174

CAPITAL INVESTMENT COSTS

PAY-AS-YOU-GO FINANCING

Acquistion of land and facilities to support the MSC delivery system will cost approximately $106 million (1970 dollars) if the system is financed out of current revenues. Table 3 presents the required capital expenditures by decade. Concept F3 requires the largest 10 year capital outlay at $90.1 million; Concept A requires the smallest at $0.5 million, due to the preponderance of leased facilities under this concept.

DEBT FINANCING

If the MSC construction program is financed through the issuance of 15 year construction bonds, in accordance with current Maryland practice, total capital costs for the system will be $148.4 million (1970 dollars). This represents about 2% of the total Concept F3 system expenditure for the planning period. Total capital costs for Concept A including interest on bonds would be only $2.1 million.

Table 4 shows how the time related impact of this investment requirement varies according to implementation rate. The use of construction bonds has the effect of reducing the financial impact in any one decade, of moving the peak financial burden into the future, and of spreading the burden over five decades instead of three. Concept F3 requires the largest 10 year capital

Table 3

CAPITAL INVESTMENT
COSTS (MILLIONS, 1970 $)

CONCEPT	CONSTRUCTION COST BY DECADE 1	2	3	TOTAL	TOTAL INTEREST* CHARGES	TOTAL CONSTRUCTION + INTEREST COST
A	0.5	0.5	0.5	1.5	0.6	2.1
F1	35.3	35.3	35.4	106.0	42.4	148.4
F2	63.6	26.5	15.9	106.0	42.4	148.4
F3	90.1	10.6	5.3	106.0	42.4	148.4

*Assumes 15 year bonds @ 4.75%

Table 4

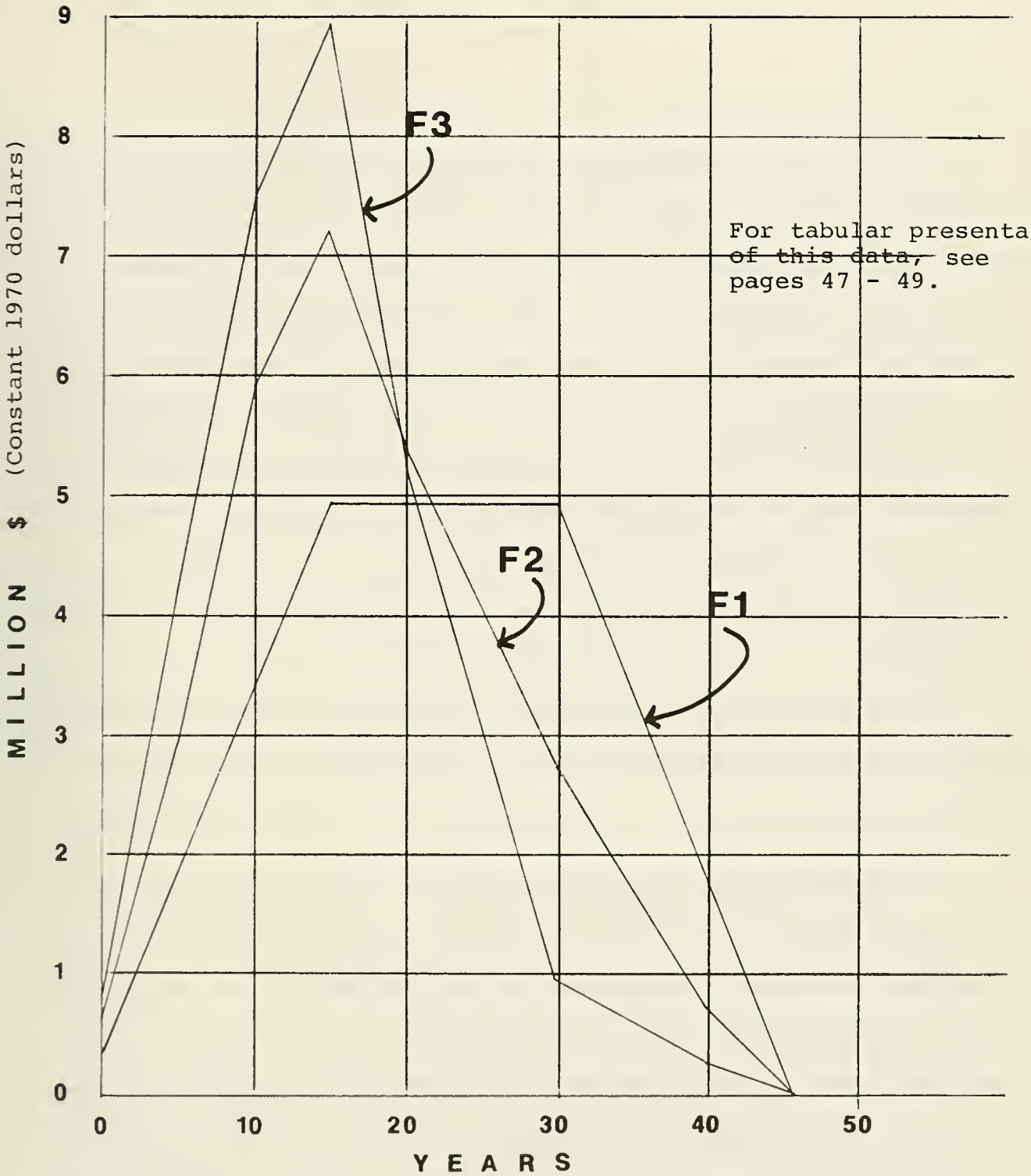
DEBT SERVICE REQUIREMENTS
(MILLION, 1970 $)

CONCEPT	COST PER DECADE* 1	2	3	4	5	TOTAL
A	.3	0.7	0.7	0.4	0.0	2.1
F1	18.3	46.5	49.5	31.2	2.9	148.4
F2	33.0	64.5	34.7	14.9	1.3	148.4
F3	46.7	77.4	18.8	5.1	0.4	148.4

*Assumes 15 year bonds @ 4.75% interest

outlay at $77.4 million, occuring in the second decade. Figure 2 demonstrates the effects of debt financing on an annual basis. Concept F3 would also require the largest annual debt service payments, with a peak of $8.9 million per year occuring during the second decade, but little of the debt would be carried beyond the planning period. Concept F1 requires a maximum annual repayment of $4.9 million during the third decade, but requires uniformally larger repayments than F3 during the last three decades and carries a substantial portion of the debt beyond the planning period. Concept A (not plotted due to scale limitations) requires a maximum average annual debt repayment of only $72,000, a negligible value due, again, to the small proportion of state-owned facilities under Concept A.

Under the accelerated implementation schedule the cost of constructing the new Multi-Service Center facilities can be supported by the 30 year savings in costs to operate current office facilities. This is shown in table 5, Facilities Operating Costs, 30 Year Planning Period. These costs include rent, maintenance, and utilities, but exclude debt service. The largest savings in facilities operating costs to be expected from implementing Concept F instead of continuing with the existing system are $149 million over the planning period. The slower implementation schedules will not support the $148 million investment on facilities operating cost savings alone within the



For tabular presentation of this data, see pages 47 - 49.

FIGURE 2

ANNUAL DEBT SERVICE

planning period (other significant operational cost savings accrue under all F concepts, however, and do repay the capital investment several times). The facilities operating cost savings are the result of ultimately having a much reduced total office space requirement under Concept F and a lower annual cost per square foot. (The assumed rent under Concept A is $5.50/SF: the average maintenance and operation cost under Concept F is $2.61/SF). Because the life of MSC facilities (70 year structural, 35 year before renovation) extends beyond the planning period and beyond the life of the construction bonds, additional savings accrue to the state after the end of the 30 year planning period. Estimation of these savings is not attempted, however, since this would require knowledge of facility needs beyond the planning period.

Total facilities costs, including debt service, are shown in figure 3. This shows that despite the initially high costs associated with constructing new facilities, Concept F facilities become cheaper to operate than Concept A by the end of the second decade. By the end of the planning period, total facilities costs for Concept F3 are cheaper by almost $7 million annually than those projected for Concept A. (The areas under the Concept F curves in figure 3 do not represent total implementation costs because of residual debt service requirements beyond the planning period).

Table 5

FACILITIES OPERATING COSTS, 30 YEAR PLANNING PERIOD
(Less Debt Repayment, 1970 Dollars)

	TOTAL COSTS	SAVINGS OVER CONCEPT A
Concept A	$306,486,000	--
Concept F1	$182,300,000	$124,186,000
Concept F2	$168,450,000	$138,036,000
Concept F3	$157,051,000	$149,435,000

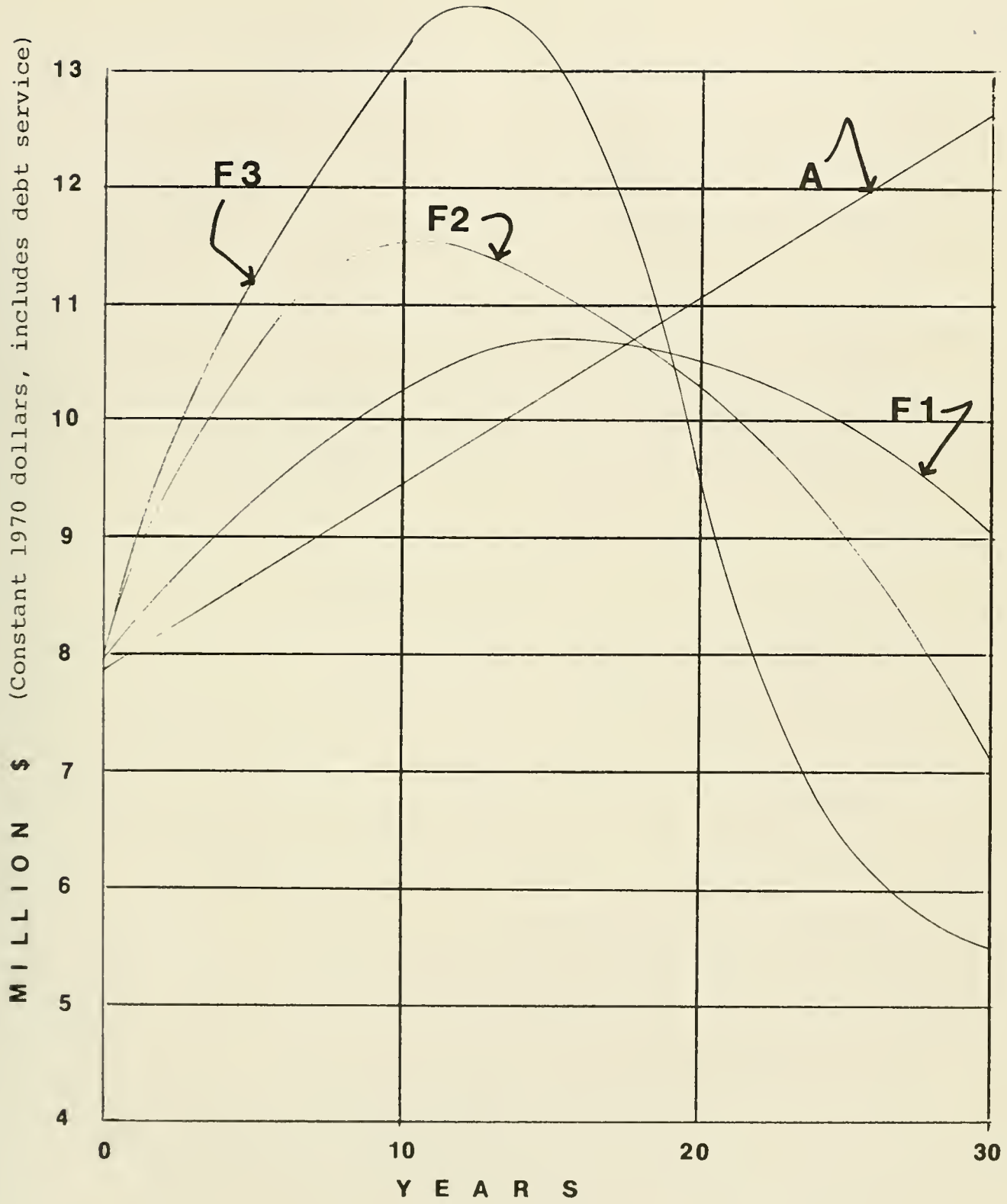


FIGURE 3

TOTAL FACILITIES COSTS

PART II
STATE FISCAL CAPACITY

OPERATING BUDGET

Part II analyzes the ability of the State of Maryland to meet varying investment costs and operating expenses for state services and facilities. Specifically, this section examines the components of the state budget during 1970, compares it with other states and the nation at that time and examines incremental Maryland taxpayer burden or savings due to cost variations.

EXPENDITURES

Table 6 depicts the FY 1970 appropriations from the general fund. They range from a low of $4,145,630 for legislative expenses to a high of $486,829,188 for public education.

Figure 4 shows the impact the five highest appropriations have upon the general fund. Public education; highways; health, hospitals, and mental hygiene; social services and payments to civil divisions, are over 83% of all appropriations.

MSC service delivery programs cut across department boundaries. Most service activities likely to be represented in the MSC system are administered by 8 executive departments and the judiciary. These service delivery expenses amount to $206,000,000 --- approximately 15 percent of total state appropriations in FY 70.

Table 6

FY 70 APPROPRIATIONS FOR OPERATING PURPOSES

	GENERAL FUND	SPECIAL FUND	FEDERAL FUND	TOTAL
Public Debt		34,502,894		34,502,894
Payments of Revenue To Civil Divisions of State	42,350,000	59,901,600		102,251,600
Retirement	33,437,569	1,879,836		35,317,405
Legislative	4,145,630			4,145,630
Judical	4,858,747	1,119,045		5,977,792
General Control	45,872,149	1,666,127	1,920,255	49,458,531
Public Safety	10,375,270	26,684,509	810,752	37,870,531
Highways		140,544,275	67,096,493	207,640,768
Natural Resources and Recreation	8,372,644	6,815,129	1,092,529	16,280,302
Health Hospitals and Mental Hygiene	163,317,493	10,364,016	9,432,264	183,113,773
Social Services	71,630,427		63,385,677	135,016,104
Correction	20,325,928	855,725	---------	21,181,653
Public Education	392,052,980	39,743,003	55,033,205	486,829,188
Employment Security			11,308,462	11,308,462
Non Highway Transportation Maryland Port Authority		5,612,000		5,612,000
Total Appropriations	796,738,837	329,688,159	210,079,637	1,336,506,633

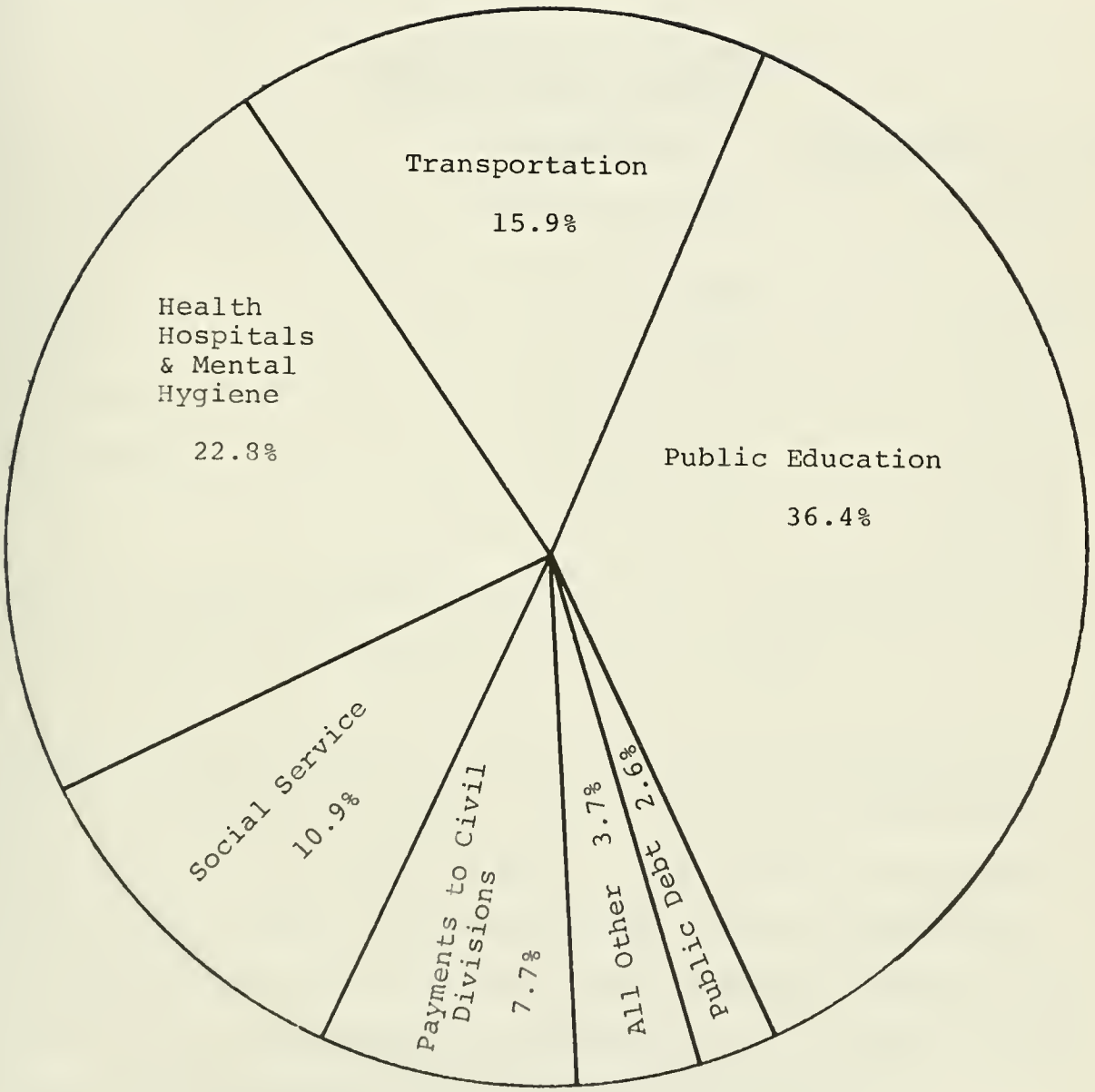


FIGURE 4

MARYLAND APPROPRIATIONS: 1970

NATIONAL PUBLIC EXPENDITURES

The following table shows state government expenditure in FY 1969 for Maryland, adjacent states, and the nation.

FY 1969 STATE EXPENDITURES
MIDDLE ATLANTIC REGION

	EXPENDITURES*	EXPENDITURES PER CAPITA
Total, United States	$43,244,000,000	$ 212.80
Maryland	720,000,000	183.58
Virginia	880,000,000	189.33
Pennsylvania	2,636,000,000	233.50
West Virginia	303,000,000	289.56
Delaware	197,000,000	359.49

Maryland spending per capita is lower than neighboring states and is 13.7 percent lower than the nation as a whole.

Two problems arise when such state and national comparisons of per capita spending are made. First, per-capita spending summaries ignore state fiscal capacity. Some areas have sounder economies and higher per capita incomes, and can afford more and costlier services. Second, a state financed program in one state may be a local financial responsibility in another. Both problems make meaningful state comparisons difficult.

---

* Source: Tax Foundation, Inc.

To adjust for these two problems, general expenditures per $1,000 of personal income for both state and local government in 1969 are shown on the following table.

	EXPENDITURE* PER CAPITA	PERSONAL INCOME* PER CAPITA	EXPENDITURE PER $1,000 OF PERSONAL INCOME
Total United States	$574.41	$3,687	$155.79
Virginia	457.40	3,307	138.31
Pennsylvania	511.44	3,659	139.78
Maryland	588.73	4,073	144.54
Delaware	695.25	4,107	169.28
West Virginia	484.51	2,603	186.13

On this basis Maryland fiscal soundness is still evident. Expenditures per $1,000 of personal income are 7.2 percent lower than the national average. Consequently, Maryland state expenditures could be significantly greater without exceeding national or regional norms.

Different states also provide varying levels of public services. Table 7 subdivides per-capita general expenditures for state and local governments according to major functions. It shows that Maryland spends more than the national average for education, health, and hospitals; police and fire protection, and other miscellaneous activities and less on highways and public welfare.

---

*Source: Tax Foundation, Inc.

Table 7

STATE AND LOCAL EXPENDITURES
MIDDLE ATLANTIC REGION
$ PER CAPITA

1969

	EDUCATION	HIGHWAYS	PUBLIC WELFARE	HEALTH AND HOSPITALS	POLICE AND FIRE	FINANCIAL ADMINISTRATION	OTHER
United States	232.45	79.86	59.59	41.92	20.02	20.20	116.34
Maryland	245.79	60.17	49.20	47.16	35.70	20.40	130.34
Virginia	203.95	78.95	21.73	31.62	19.36	16.13	85.62
Pennsylvania	212.57	84.19	47.57	27.64	22.38	17.72	94.45
West Virginia	203.56	108.37	43.00	28.67	11.46	14.33	75.11
Delaware	293.80	120.44	43.80	38.32	20.07	25.55	151.45

SOURCE: Tax Foundation, Inc.

REVENUES

Table 8 shows the approximate estimated revenues used to pay for state programs in FY 1970. Receipts range from $984,000 from admission taxes to $388,880,000 from individual income taxes.

Figure 5 shows the impact the five major revenue sources have upon the general fund. Individual income taxes; state department receipts, state sales and user taxes; motor vehicle taxes, fees, and fines; and corporation taxes are 88 percent of state receipts. Funds from federal programs are approximately 2/3 of the state department receipts. This amounts to $210,079,637, or 15 percent of all state receipts in FY 1970.

All other revenue sources, from admission taxes to death taxes, are only 12 percent of state receipts.

Real and personal property taxes comprise only 2.5 percent of all state receipts.

If all other taxes and expenditures are the same, an additional one million dollar general fund obligation would have raised the individual income tax rates in 1970 by .25 percent. An individual with a $10,000 taxable income and 4 exemptions paid in 1970, $253.00 in state income taxes. To meet his share of a one million dollar expenditure increase, his tax liability would have risen $.65 to $253.65.

Table 8

FY 70 REVENUES

	GENERAL FUNDS	SPECIAL AND DEBIT SERVICES FUNDS	FEDERAL FUNDS	TOTAL
Real and Personal Property tax		34,502,894		34,502,894
Franchise and Corporation Taxes	25,399,000	1,450,000		26,849,000
Taxes on Insurance Companies, etc.	18,280,000			18,280,000
Motor Vehicles Taxes, Fees, Fines	11,000,000	204,970,391		215,970,391
Alcoholic Beverages Excise Taxes, etc.	11,613,000	4,267,000		15,880,000
Income Taxes				
Individual	388,330,000			388,330,000
Corporations	42,331,000	5,612,000		47,943,000
Retail Sales and Use Taxes	233,110,000			233,110,000
State Tobacco Tax	13,757,500	13,292,500		27,050,000
Tax on Horse Racing	9,298,613	4,178,000		13,476,613
Tax on Admission		984,000		984,000
Death Taxes	12,173,000			12,173,000
Miscellaneous Fees, Fines, Forfeitures	3,145,400	77,515		3,222,915
Miscellaneous Revenues	12,695,000			12,695,000
State Department	41,094,850	61,011,754	210,079,000	312,186,241
	822,227,363	330,346,054	210,079,637	1,362,653,054

FY 70 REVENUES (continued)

	GENERAL FUNDS	SPECIAL AND DEBIT SERVICES FUNDS	FEDERAL FUNDS	TOTAL
Transfer From Other Funds	750,000			750,000
Deduction From Motor Vehicle Revenue For annuity Bond Fund:				
Dept. of Motor Vehicles		- 458,709		- 458,709
Dept. of Maryland State Police		- 199,186		- 199,186
Total Estimated Revenues	822,977,363	329,688,159	210,079,637	1,362,745,159

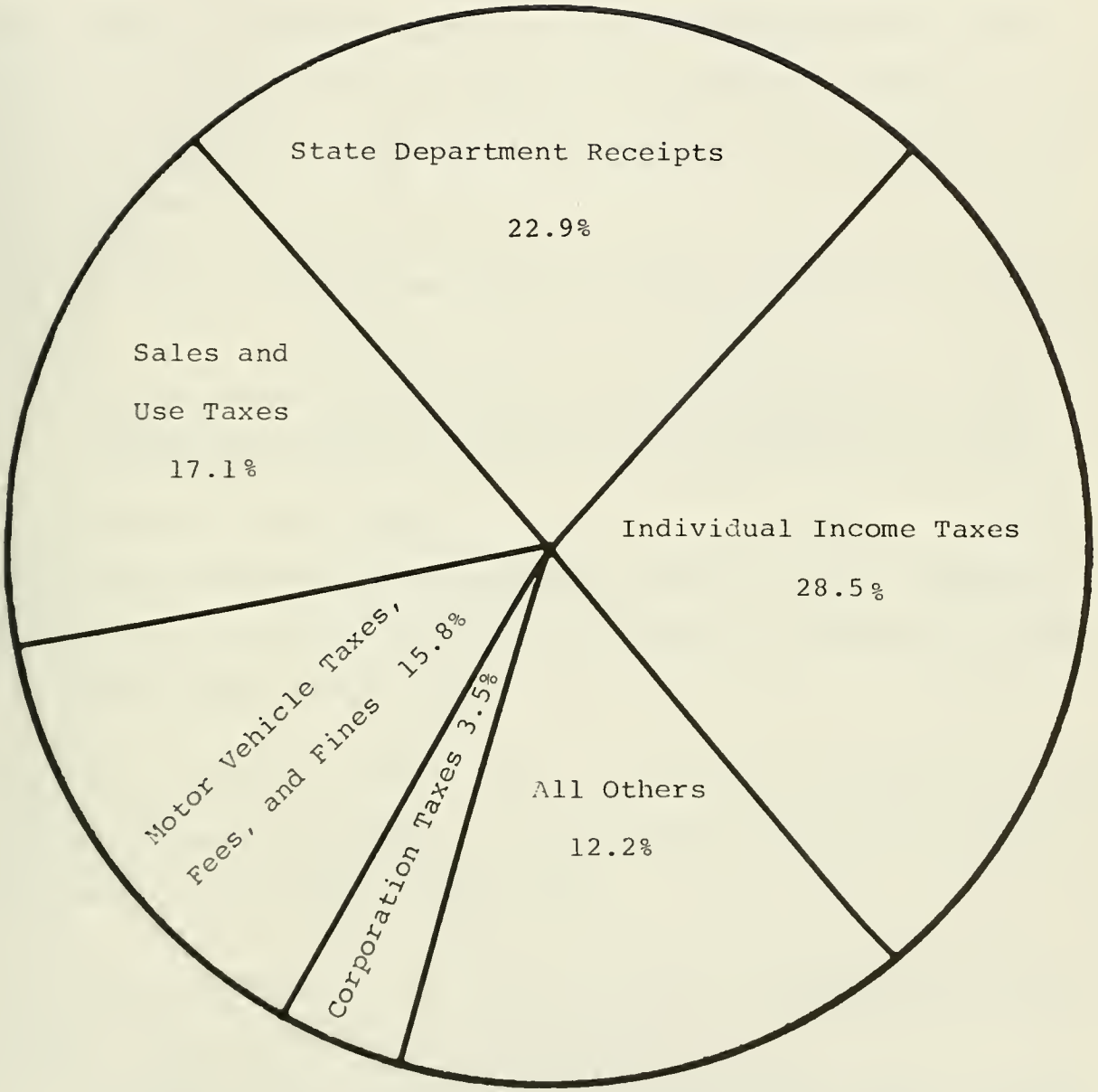


FIGURE 5

MARYLAND REVENUES: 1970

STATE DEBT

Most capital projects in Maryland are financed through bond issues. The ability of the state to fund the MSC concept through borrowing depends to some extent upon the size and types of its existing debt.

The two types of long term state borrowing for facility construction are:

- revenue bonds of the Consolidated Transportation Trust Fund, the Maryland Transportation Authority and other agencies
- general public debt

Additionally there is the overlapping debt of special purpose districts and political subdivisions which is a taxpayer burden not administered by the state.

New offices and facilities, such as the ones which would be required for Multi-Service Centers, are traditionally financed through an increase in the general public debt.

All general public debt is managed through the Annuity Bond Fund account. This account is comprised of:

- county obligations including state general public school construction loans, and loans for county highway systems and other programs.
- other obligations including non-reimbursable general obligation debt and the state's regular general construction loans.
- special purpose loans including obligations repayable by political subdivisions and state agencies for specific projects such as the John F. Kennedy Expressway or the Maryland Bay Bridge.

TOTAL STATE DEBT

As the following table shows, the amount of long term general public debt has risen dramatically, in recent years.

FISCAL YEAR	OUTSTANDING DEBT AT START OF FISCAL YR.	DEBT ISSUED DURING YEAR	TOTAL* OUTSTANDING AUTHORIZATIONS
1958	$ 177,897,000	$ 38,798,000	$ 303,412,067
1959	203,595,000	16,969,000	304,024,800
1960	206,674,000	33,444,000	310,046,467
1961	224,673,000	33,790,000	355,171,930
1962	240,190,000	44,645,000	373,559,631
1963	265,030,000	30,485,000	433,844,540
1964	273,322,000	38,270,000	452,658,578
1965	287,423,000	69,290,000	582,028,481
1966	329,651,000	73,795,000	609,792,217
1967	374,559,000	95,785,000	786,058,279
1968	442,168,000	86,235,000	863,848,487
1969	496,854,000	99,505,000	1,117,201,870
1970	562,181,000	45,200,000	1,280,660,938
1971	568,215,000	194,720,000	1,466,402,907
1972	720,832,000	204,040,000	1,871,427,071

During fiscal year 1973, $474,600,000 worth of bonds were authorized by the General Assembly. This amounted to $300,000,000 for school construction, $95,400,000 for general construction, and $52,200,000 for other projects.

School construction loans have doubled from $150,000,000 in fiscal year 1957 to $300,000,000 in fiscal year 1973.

Other appropriations for new projects such as the state acquisition of Baltimore-Washington Airport, water quality improvement, and

*Includes debt authorized but unissued

outdoor recreation have pushed special purpose loans from $23,500,000 in FY 1957 to $52,200,000 in FY 1973 and approximately $106,000,000 in FY 1974.

On the other hand, general construction loans have remained relatively constant in recent years -- averaging approximately $100,000,000 per year.

The FY 1970 proposed capital budget ($66,458,000) to finance general construction projects can be subdivided in the following manner.

	PERCENT OF TOTAL
General Control	20.4
Public Safety	2.9
Natural Resources and Recreation	9.1
Health, Hospitals, and Mental Hygiene	12.9
Juvenile Services	1.3
Correction	2.0
Higher and Special Education	51.4
TOTAL	100.0

On the average, higher and special education, health, hospitals, and mental hygiene, and natural resources and recreation have amounted to over 75 percent of the public debt for general construction.

SOURCE OF FUNDS

Maryland general obligation bonds are backed by the full faith and credit of the state. Therefore, state property taxes are customarily the means of meeting bond debt service obligations.

The following table relates outstanding debt to the state's assessable property tax base.

FISCAL YEAR	ASSESSABLE ($000) BASE	DEBT/BASE RATIO, %
1964	11,403,800	2.52
1965	12,218,409	2.70
1966	12,985,532	2.88
1967	14,181,962	2.91
1968	15,165,300	3.16
1969	15,715,956	3.30
1970	17,050,440	3.07
1971	18,496,971	3.90
1972	19,981,045	4.06

For the years tabulated, Maryland's debt to base ratio, a common measure of borrowing capacity, ranged from a low of 2.52 percent to 4.06 percent. Generally accepted guidelines suggest that ratios of 7.5 to 10 percent are acceptable for a state government's debt to base ratio. A limiting ratio of 4.5 percent (the point at which Maryland's AAA bond rating is said to be threatened) has been suggested as more appropriate. In this case, Maryland still has some significant unused borrowing capacity (almost $88 million in 1972).

Because of the state's large assessable base (over 18 billion dollars in 1970) and the fifteen year bond payback period, the annual impact of additional bond payments is usually small. For a $1,000,000 bond issue's annual debt service cost (at 4.75% interest) the state property tax rate would rise only $.0005 per $100 of assessed valuations. An owner of a typical $40,000

home in 1970 paid from $400 to $1,130 in county property taxes and $36.00 in state taxes. To meet the additional debt service costs incurred by a $1 million bond issue, he would pay $.10 more in state property taxes annually or $36.10, an increase in his state property tax bill of only 0.27 percent.

PART III

FINANCIAL FEASIBILITY

STATE IMPACT

OPERATING BUDGET

Table 9, Cost Summary, arrays the major state cost elements developed in Part I. The costs of operating the present service delivery system are estimated at $206,000,000 in 1970. These costs amount to 15 percent of the FY 1970 operating budget and are expected to grow, in proportion to population, to an estimated $336 million by the end of planning period, consuming, again, 15 percent of the state budget if expenditures for all other state services remain constant (per capita), based on 1970 (non-inflated) dollars. By contrast, operating costs under the MSC concept will grow less rapidly to only $234 million per year and will represent a smaller proportion of the total state budget.

CURRENT REVENUE FINANCING

If the Multi-Service Center system were to be financed out of the current revenues, the total project cost would be $106 million. This would require a maximum added annual expenditure between $3.5 million (F1) and $9.0 million (F3) during the first implementation decade. This represents an increase in the annual expenditures over the 1970 level of less than one percent if all existing programs are maintained, and equates to 9% of the recent 15 year average capital budget reported by the Maryland

Table 9

COST SUMMARY
(1970 Constant Dollars, Millions)

	Total Annual Operating Cost Year 0	Total Annual Operating Cost Year 30	Total Planning Period Investment (Pay-As-You-Go)	Maximum Annual Capital Expenditure (Pay-As-You-Go)	Total Planning Period Investment (Debt Finance)	Maximum Additional Annual Debt Service
Concept A	206	336	1.5	0.05	2.1	0.07
Concept F1	206	237	106.0	3.5	148.4	4.9
Concept F2	206	235	106.0	6.4	148.4	7.2
Concept F3	206	234	106.0	9.0	148.4	8.9

Department of Fiscal Services. An evenly incremented program such as F1 would require annual expenditures at a constant rate of $3.5 million, while the accelerated F3 program would be one of declining capital expenditures ($1.1 million per annum during the second decade, $0.5 million during the third decade.)

DEBT FINANCING

If the MSC system were to be financed through bond issue, the total project cost would be about $148 million. This represents 26% of Maryland's total outstanding debt in 1970. Table 10 estimates the amounts of bond issue required by decade for implementation of the MSC system. The state's outstanding debt would be raised by a maximum of $57 million under Concept F3. Evenly incremented implementation under Concept F1 would increase the outstanding debt by a smaller amount, a maximum of $25 million. Both would be allowable increases to the state's existing debt.

Debt service payments would be expected to increase by a maximum of $8.9 million annually under Concept F3. This represents 26% of Maryland's total debt service payments in 1970. Concept F1 and F2 debt service payments would be more moderate. The peak payment is singled out in order to gauge the greatest impact; as figure 2 demonstrates, however, the debt service peaks occur for only a few years during the planning period and the average debt service requirements are much lower.

Table 10

MSC SYSTEM
OUTSTANDING DEBT BY DECADE
(MILLIONS, 1970 DOLLARS)

	DECADE	BONDS OUT AT BEGINNING OF DECADE	BONDS RETIRED DURING DECADE	BONDS ISSUED DURING DECADE
Concept F1	1	0	12.9	35.3
	2	22.4	32.9	35.3
	3	24.8	35.2	35.3
	4	24.9	22.3	0
	5	2.6	2.6	0
Concept F2	1	0	23.2	63.6
	2	40.3	45.7	26.5
	3	21.1	25.0	15.9
	4	12.0	10.7	0
	5	1.3	1.3	0
Concept F3	1	0	33.0	90.1
	2	57.1	54.9	10.6
	3	12.8	13.9	5.3
	4	4.2	3.6	0
	5	0.6	0.6	0

CITIZEN IMPACT

Ultimately, the ability of the State of Maryland to finance a capital improvements program depends upon the ability and willingness of the individual state citizen and taxpayer to bear the payment burden. This payment burden can be looked at through two forms of taxation; the income tax, if improvements are financed out of current revenues, and the property tax, if improvements are financed through bonds issued against the full faith and credit of the state.

CURRENT REVENUE FINANCING

If the MSC system were to be financed out of current revenues, a maximum of $9 million per year would be added to the state's operating budget (Concept F3). To the "typical" state taxpayer ($10,000 taxable income in 1970 and 4 exemptions), this means an increase of $5.85 to his annual tax bill of $253.00 or 2.3%, if the total amount were financed through the income tax, and all existing state programs were maintained. Under the same assumptions, the "typical" taxpayer would see his income tax bill raised by $2.27 during the peak decade if the slowest (F1) implementation program were selected.

DEBT FINANCING

Financing the MSC system through bond issues requires a peak year debt service payment of $8.9 million (Concept F3). To the "typical" homeowner in Maryland ($40,000 home with 1970 state property taxes

of $36 plus county and local taxes ranging from $400 to $1,130, depending upon locale) this would mean an increase of $9.35 or a substantial 25% assuming the entire debt service payment were met by the property tax and all existing state programs were maintained. Under the same assumptions, the "typical" homeowner would be taxed an additional $5.14 to meet the peak year debt service payments under Concept F1.

Under Maryland law, debt service payments can also be paid out of current revenues. In this case, the property tax to cover debt service is not collected, but serves as a repayment guarantee only. To pay MSC debt service costs from the income tax would require increased levies in peak years of $5.79 (F3) and $3.20 (F1).

OPERATING COST SAVINGS

Implementation of the Multi-Service Center system implies significant operational cost savings over the planning period. The most conservative MSC implementation program (F1) would save state taxpayers over $897 million in total system costs over 30 years. This would mean an average annual individual income tax saving of about $19. Although the maximum savings appear at the end of the planning period while the maximum implementation costs are incurred toward the beginning and the middle of the period, the relatively short time period involved means

that the benefits will tend to accrue to the same group of taxpayers who will carry the capital burden.

Even if the operational cost savings are committed to other programs and are not returned to the taxpayer in the form of tax reduction, the MSC program would still be affordable. The maximum required debt service payment of $8.9 million if added to the 1970 level state budget would amount to an additional $2.26 expenditure per capita, based on the 1970 population. With the addition of such a state expenditure, Maryland would still rank below national norms for per capita state expenditures ($ 185.84, Maryland, vs. $212.80, U.S. total) and for expenditures per $1,000 of personal income ($145.10, Maryland, vs. $155.79 U.S. total).

APPENDICES

APPENDIX I - FUNDING ALLOCATION

The discussion in the body of this report pertains to delivery of services by the State of Maryland, and to the associated costs to the State. Phase 400 of the study, however, identified 9 federal agencies and 6 local agencies that would appropriately occupy space in Multi-Service Centers. In fact, the participation of these federal and local agencies is highly desirable to assure that the goal of "one-stop" delivery of human services is achieved. Shared occupancy of Multi-Service Centers by three levels of government offers the opportunity for shared internal services (such as mail delivery, telephone switchboards, intake personnel, and motor pools). This can result, not only in reduced costs for all concerned due to shared overhead expenses, but in making available to the smaller agencies improved service delivery tools. Data processing equipment, for example, might be economically installed in an MSC occupied by three government levels, even though any one government level alone might not be able to justify the installation.

Sharing facilities and services would also mean sharing in costs. In addition to the costs for internal services, costs pertaining to acquisition, building construction, building operation and maintenance, and security should be allocated equitably to each participating jurisdiction. Various cost allocation methods would evolve depending upon actual MSC management structures and the extent and anticipated duration of federal and local agency participation in the MSC program.

APPENDIX II, PHASE 700 COST MODELS

The following models were used to develop the costs presented in Part I of this report:

(1) Capital Cost Model

$$CAP/DECADE = 0.37\ (F_L\ I_L\ A_{BO} + F_B\ I_B\ A_{BO}\ G) + 0.57\ (F_L\ I_L'\ A_{BO}' + F_B\ I_B'\ A_{BO}'\ G) + 0.06\ (F_L\ I_L''\ A_{BO}'' + F_B\ I_B''\ A_{BO}''\ G)$$

(2) Operational Cost Model

$$OPS/YEAR = \frac{F_E\ N_{SE}\ (I_C + I_T + I_A + I_{SU})}{Y} + A_{BL}\ L + A_{BO}\ JG + N_{SE}(D_C + D_T + D_A + D_{SU}) + N_{SE}\ (W_{SE}\ f_{SE} + O_{SE}) + N_R\ N_{SE}\ (W_{SE}\ f_{SE} + O_{SE})$$

The capital cost model estimates total capital expenditures for land and buildings for a complete decade. The meaning of the variables is equivalent to that established in phase 600, except for A_{BO} which represents total building area acquired during the particular decade being evaluated. The I_L', I_B', A_{BO}' variables represent costs and building areas associated with the decade prior to the one being evaluated while the double prime variables are associated with the decade 20 years removed. This three-part structure of the capital cost model assumes that facilities are acquired through the mechanism of issuing in equal annual amounts during the decade, fifteen year construction bonds, 37% of which are paid back during the first decade after issue, 57% of which are paid back during the second decade after issue, and 6% which are paid back during the third decade after issue.

The unit cost variables I_L and I_B were held constant in terms of 1970 dollars throughout the phase 700 analysis. This allows costs and savings in the third decade of the planning period to be compared to costs and savings in the first decade. The capital cost model assumes that no indebtness on currently owned structures is carried over from prior years. Very little error is introduced by this assumption since owned facilities constitute only 8% of the total service facilities space now in use.

The operational cost model estimates annual operation costs for the state. To obtain total costs for each decade, the model was operated to obtain values for the decade end years, which were then averaged and multiplied by 10 years per decade. Again, the variables are the same as those established in phase 600. The values of A_{BL} and A_{BO} used in the operational cost model are the total on-hand inventory in the evaluation year of leased space and owned space respectively. The operational cost model includes five terms, representing, in order: annual equipment investment, annual building lease expenditures, annual building maintenance and operation costs (state-owned facilities only), annual equipment operation costs, and personnel costs.

As in the capital cost model, unit cost variables are expressed in 1970 constant dollars. Where the variable is a function of MSC system size this is estimated based on the percent of MSC

system implementation in the evaluation year. For example, D_{SU}, the cost to operate special mobile units, is expressed in terms of "dollars per employee". In the early stages of MSC system implementation there are fewer special mobile units per employee than in later stages of implementation. A lower value of D_{SU} is therefore used in operating the model at the end of the first decade, and a higher value used at the end of the third decade even though the effects of inflation have been removed.

The following pages present the computed model values.

TOTAL COSTS - Constant Dollars (1970)

Concept A
Existing System

Decade	OPERATIONAL COSTS Decade Total	DEBT SERVICE COSTS Decade Total	TOTAL SYSTEM COSTS Decade Total
1	2,301,682,720	265,535	2,301,948,255
2	2,723,689,025	674,602	2,724,363,627
3	3,146,583,045	717,662	3,147,300,707
4		452,127	452,127
5		43,060	43,060
TOTAL	8,171,954,790	2,152,986	8,174,107,776

TOTAL COSTS - Constant Dollars (1970)

Concept F1
Level Implementation
33% Each Decade

Decade	OPERATIONAL COSTS Decade Total	DEBT SERVICE COSTS Decade Total	TOTAL SYSTEM COSTS Decade Total
1	2,253,314,695	18,309,560	2,271,624,255
2	2,457,621,715	46,516,179	2,504,137,894
3	2,418,165,230	49,485,296	2,467,650,526
4		31,175,736	31,175,736
5		2,969,117	2,969,711
TOTAL	7,129,101,640	148,455,888	7,277,557,528

TOTAL COSTS - Constant Dollars (1970)

Concept F2
Accelerated Implementation
60% - 25% - 15%

Decade	OPERATIONAL COSTS Decade Total	DEBT SERVICE COSTS Debt Total	TOTAL SYSTEM COSTS Decade Total
1	2,243,766,875	32,957,208	2,276,724,083
2	2,408,340,325	64,504,084	2,472,844,409
3	2,378,431,660	34,738,679	2,413,170,339
4		14,919,816	14,919,816
5		1,336,103	1,336,103
TOTAL	7,030,538,860	148,455,890	7,178,994,750

TOTAL COSTS - Constant Dollars (1970)

Concept F3
Accelerated Implementation
85% - 10% - 5%

Decade	OPERATIONAL COSTS Decade Total	DEBT SERVICE COSTS Decade Total	TOTAL SYSTEM COSTS Decade Total
1	2,223,379,195	46,689,377	2,270,068,572
2	2,359,005,120	77,419,746	2,436,424,866
3	2,349,484,135	18,779,670	2,368,263,805
4		5,121,728	5,121,728
5		445,368	445,368
TOTAL	6,931,868,450	148,455,889	7,080,324,339

ANNUAL DEBT SERVICE
CONCEPT F1

(Constant 1970 Dollars, Millions)

YEAR	DEBT SERVICE	YEAR	DEBT SERVICE	YEAR	DEBT SERVICE
1	.329	16	4.935	31	4.606
2	.658	17	4.935	32	4.277
3	.987	18	4.935	33	3.948
4	1.316	19	4.935	34	3.619
5	1.645	20	4.935	35	3.290
6	1.974	21	4.935	36	2.961
7	2.303	22	4.935	37	2.632
8	2.632	23	4.935	38	2.303
9	2.961	24	4.935	39	1.974
10	3.290	25	4.935	40	1.645
11	3.619	26	4.935	41	1.316
12	3.948	27	4.935	42	.987
13	4,277	28	4.935	43	.658
14	4.606	29	4.935	44	.328
15	4.935	30	4.935		

ANNUAL DEBT SERVICE
CONCEPT F 2

(Constant 1970 Dollars, Millions)

YEAR	DEBT SERVICE	YEAR	DEBT SERVICE	YEAR	DEBT SERVICE
1	0.593	16	6.819	31	2.458
2	1.186	17	6.473	32	2.211
3	1.779	18	6.127	33	1.964
4	2.372	19	5.781	34	1.717
5	2.965	20	5.435	35	1.470
6	3.558	21	4.989	36	1.323
7	4.151	22	4.543	37	1.176
8	4.744	23	4.097	38	1.029
9	5.337	24	3.651	39	.882
10	5.930	25	3.205	40	.735
11	6.177	26	3.105	41	.588
12	6.424	27	3.005	42	.441
13	6.671	28	2.905	43	.291
14	6.918	29	2.805	44	.147
15	7.165	30	2.705		

ANNUAL DEBT SERVICE
CONCEPT F3

(Constant 1970 Dollars, Millions)

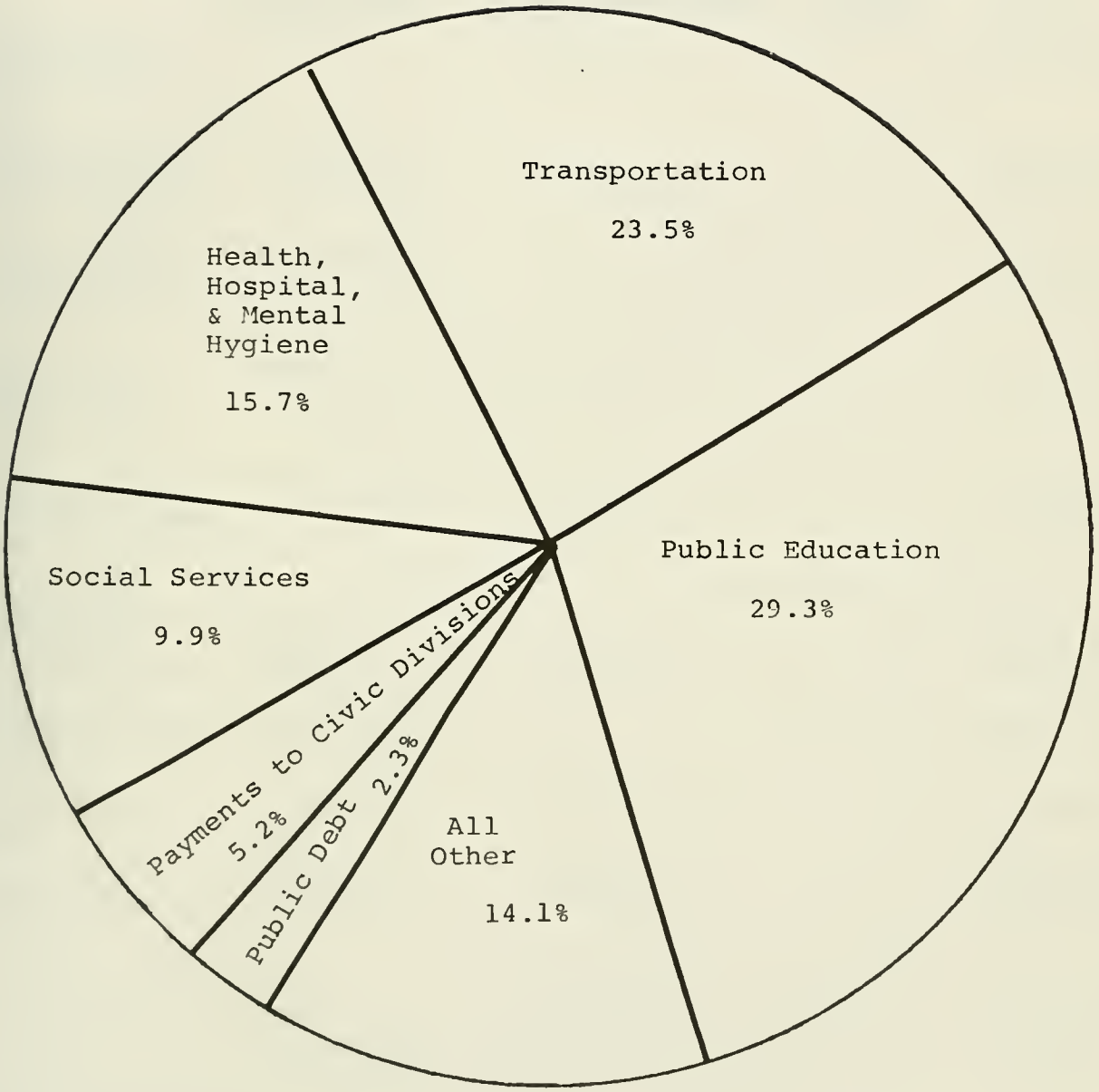
YEAR	DEBT SERVICE	YEAR	DEBT SERVICE	YEAR	DEBT SERVICE
1	.840	16	8.160	31	.870
2	1.680	17	7.420	32	.770
3	2.520	18	6.680	33	.670
4	3.360	19	5.940	34	.570
5	4.200	20	5.200	35	.470
6	5.040	21	4.407	36	.423
7	5.880	22	3.614	37	.376
8	6.720	23	2.821	38	.329
9	7.560	24	2.028	39	.282
10	8.400	25	1.235	40	.235
11	8.5	26	1.182	41	.188
12	8.6	27	1.129	42	.141
13	8.7	28	1.076	43	.094
14	8.800	29	1.023	44	.047
15	8.900	30	.970		

APPENDIX III - FISCAL YEAR 1974 OPERATING BUDGET

The MSC Phase 700 report presents budget comparisons for the year 1970, the latest year for which data has been available which allows state-to-state comparisons. Because Maryland state expenditures have risen dramatically in recent years, a budget breakdown for Fiscal Year 1974 is included in this appendix for perpective.

FY 74 APPROPRIATIONS FOR OPERATING PURPOSES

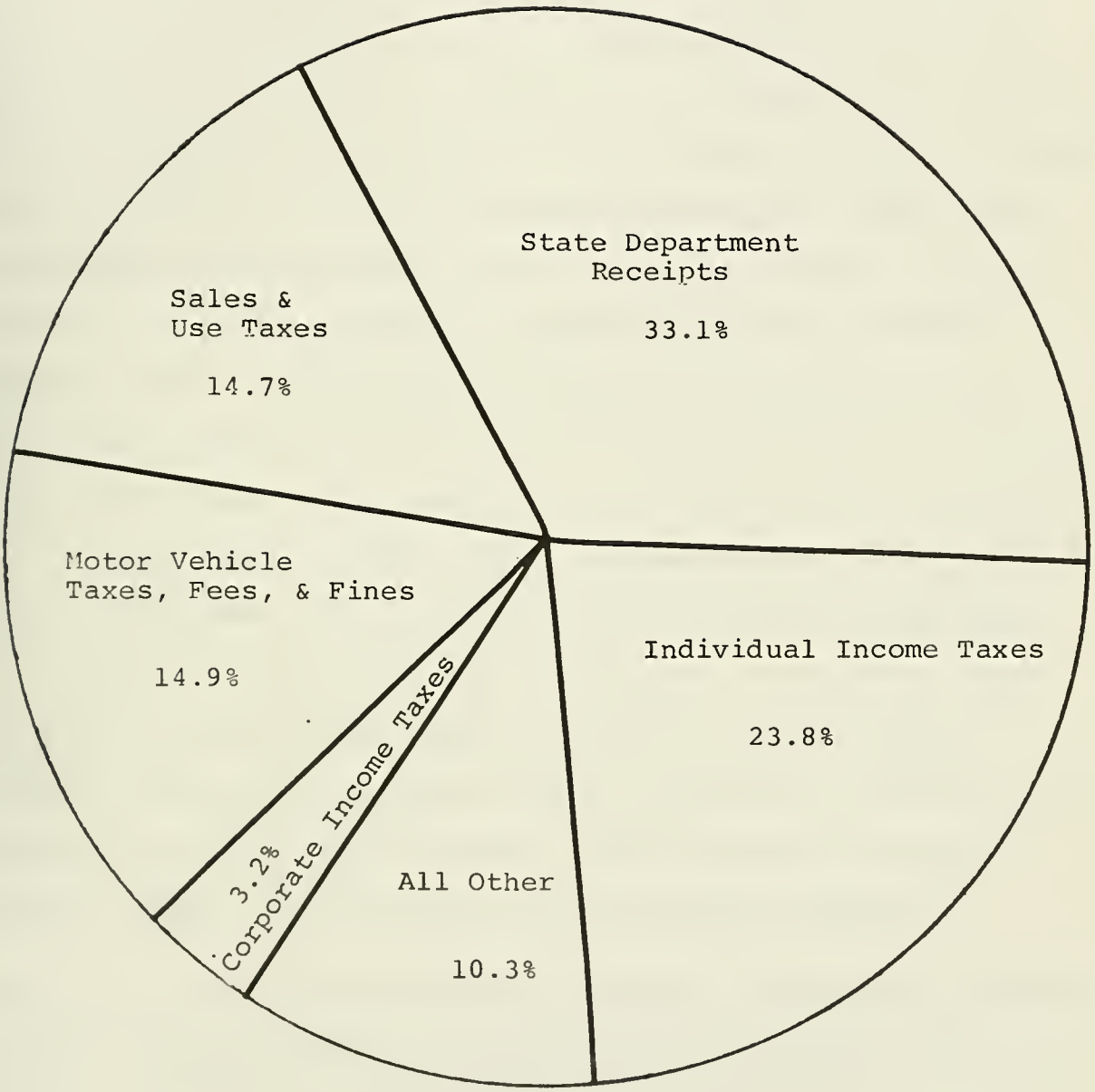
	GENERAL FUND	SPECIAL FUNDS	FEDERAL FUNDS	TOTAL
Public Debt	16,000,000	40,883,197	-	56,883,197
Payments of Revenues to Civil Divisions of the State	48,000,000	81,130,717	-	129,130,717
Legislative	8,260,330	-	-	8,260,330
Judicial	24,529,272	-	-	24,529,272
Executive & Administrative Control	11,868,463	67,800	19,627,466	31,563,729
Financial & Revenue Administration	18,444,468	6,057,297	-	24,501,765
Budetary & Fiscal Administration	1,561,025	-	-	1,561,025
Personnel Administration, Retirement, etc.	131,012,970	283,436	359,360	131,655,766
Planning & General Services	8,630,910	512,796	1,634,745	10,778,451
Transportation		361,556,332	222,839,680	584,396,012
Natural Resources & Recreation	18,186,189	16,331,955	2,683,981	37,202,125
Health, Hospitals, & Mental Hygiene	331,702,364	22,015,401	37,459,016	391,176,781
Employment & Social Services	110,616,908	-	137,611,725	248,228,633
Licensing & Regulation	5,940,017	1,675,623	1,115,458	8,731,098
Public Safety & Correctional Services	65,540,626	2,307,975	832,664	68,681,265
Public Education	571,095,273	74,964,758	83,028,498	729,088,529
Economic & Community Development	4,191,655	242,810	701,496	5,135,961
TOTAL APPROPRIATIONS	1,375,580,470	608,030,097	507,894,089	2,491,504,656



MARYLAND APPROPRIATIONS: 1974

FY 74 REVENUES

	GENERAL FUNDS	SPECIAL AND DEBT SERVICES FUNDS	FEDERAL FUNDS	TOTAL
Real and Personal Property tax		40,883,197	-	40,883,197
Franchise and Corporation Taxes	37,389,500	2,633,000	-	40,022,500
Taxes on Insurance Companies, etc.	29,600,000	-	-	29,600,000
Motor Vehicles Taxes, Fees, Fines	56,000,000	307,105,000	-	363,105,000
Alcoholic Beverages Excise Taxes, etc.	16,935,000	9,050,000	-	25,985,000
Income Taxes				
Individual	576,521,000	-	-	576,521,000
Corporations	68,635,000	8,602,000	-	77,237,000
Retail Sales and Use Taxes	356,000,000	-	-	356,000,000
State Tobacco Tax	17,367,000	16,723,000	-	34,090,000
Tax on Horse Racing	12,500,000	3,900,000	-	16,400,000
Tax on Admissions	-	5,200,000	-	5,200,000
Death Taxes	14,350,000	-	-	14,350,000
Miscellaneous Fees Fines, Forfeitures	-	-	-	-
Miscellaneous Revenues	41,868,000	2,380,217	-	44,248,217
State Departments	77,341,654	217,205,783	507,894,089	802,441,526
TOTAL	1,304,507,154	613,682,197	507,894,089	2,426,083,440



MARYLAND REVENUES: 1974

APPENDIX IV - BUY/LEASE DECISION MODEL

The Multi Service Center concept has been evaluated on the assumption that level 2, 3, and 4 centers would be owned and constructed by the state. Various other mechanisms for financing facility construction, including lease, lease/purchase, and lease/back arrangements, are of course available to the state. Each arrangement has advantages, and at any point in time, any one may be financially superior to outright facility purchase. Varying income tax structures, bargains in land prices, and tight competition make it possible for some developers to lease space more cheaply than the state could afford to own and operate it. Because these and many other non-quantifiable factors enter the picture, one financing method cannot be recommended on a system-wide basis for the MSC system. At the time each individual Multi-Service Center is needed, however, some consideration should be given to the alternatives available for financing that particular center. The following paragraphs discuss a model for assisting in the buy/lease decision.

One part of the buy/lease decision involves a comparison between: (1) the accumulative annual maintenance and operating costs and one-time capital costs incurred by the state in owning its own facility, and (2) the accumulated annual costs to lease the same facility for a period equal to the economic life of the owned facility. The model presented here recognizes that money is productive, and that there is a strong preference for having a

dollar today as compared with having a dollar at some future time. Specifically, the promise to pay one dollar a year from now is worth only 94 cents today if money can be invested at 6% annual interest and no inflation. This is the concept of present value and the basis for the buy/lease model:

$$C(PV) = I + R \left[\frac{1 - (1 + d)^{-n}}{d} \right] - T \left[(1 + d)^{-n} \right]$$

Where:

C(PV) = Cost of the facility, reduced to present value, for a particular financing system.

I = Initial investment cost, whether for new facility construction, or renovation charges for a leased facility.

R = Recurring annual costs. These are rental charges, maintenance costs, operating costs, utility charges, insurance costs, taxes (or payments by the state in lieu of taxes), security costs, etc. These may vary according to facility location and facility ownership.

d = Annual discount rate. Selection of the discount rate depends upon the value of money to the state, interest rates, cost of borrowing, and rate of inflation. Commonly used values range from 4% to 10%.

n = Economic life of facility or term of lease.

T = Terminal value of the facility after n years.

The criteria for selection of the buy or lease alternative is lowest C(PV). The following examples will serve to illustrate use of the model:

(1) Assume the state can build a 20,000 SF building for $50.00/SF with annual maintenance and operating costs of $2.00/SF, economic life 35 years, terminal value

equal to 10% of the orignal cost. Assume the state can lease the same building for $6.00/SF per annum, all costs included. Assume a discount rate of 6%.

Then $C(PV)_{purchase}$ = $1,000,000 + $580,000 - $13,000

and $C(PV)_{lease}$ = 0 + $1,740,000 + 0
= $1,740,000

Under these conditions, the purchase alternative is clearly preferred. Note, however, the model's sensitivity to the variables, as seen in the following two examples.

(2) Assume that the economic life is only 20 years, all other conditions the same as example (1):

Then $C(PV)_{purchase}$ = $1,429,000

and $C(PV)_{lease}$ = $1,380,000

Under these shorter term conditions, this shows the lease alternative to be preferred.

(3) Assume the discount rate is 10%, all other conditions the same as example (1):

Then $C(PV)_{purchase}$ = $1,370,000

and $C(PV)_{lease}$ = $1,128,000

Under these assumed conditions, which assume more expensive borrowing rates, the lease alternative is the preferred one, also.

Facility cost is not the only factor in the buy/lease decision. Other criteria which are not easily subject to quantitative evaluation may completely over-ride the results of the cost model. They include:

(1) Specific Program Needs. These may dictate the buy/lease decision when, for example, the anticipated duration of specific programs is not sufficiently long to justify facility ownership, or when the architectural requirements are so unique or specialized that only the state is prepared to own and construct the facility.

(2) Locational Benefits. Often, existing leasable space may offer a more centralized and accessible location than the state could obtain by purchasing its own site.

COMMENT REPLY FORM
PHASE 700 REPORT

Date: _____

1. IMPLEMENTATION COSTS

   Comments:

2. STATE FISCAL CAPACITY

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4. GENERAL COMMENTS AND RECOMMENDATIONS

COMMENT REPLY FORM
PHASE 700 REPORT

Prepared By:

Department:

Date:

This copy to be returned to:

Department of State Planning

Attention: Melvin Ginsburg,
Project Director

1. IMPLEMENTATION COSTS

   Comments:

2. STATE FISCAL CAPACITY

   Comments:

3. FINANCIAL FEASIBILITY

   Comments:

4. GENERAL COMMENTS AND RECOMMENDATIONS

ABSTRACT

Title:	State of Maryland Multi-Service Center Study Phase 700 - Concept Financing and Feasibility
Author:	Urban Pathfinders, Inc. subconsultant to Gruen Associates, Inc.
Subject:	Examination of the feasibility of financing alternative system approaches for the delivery of government services to State of Maryland residents.
Date:	February, 1974
Planning Agency:	Maryland Department of State Planning
Source of Copies:	Maryland Department of State Planning State Office Building 301 W. Preston Street Baltimore, Maryland 21201 Cost: No charge (Quantities limited) Reference copies available on request
HUD Project Number:	MD P-1008
Number of Pages:	62
Series Number:	222 √
Abstract:	This report, Concept Financing and Feasibility, explores the costs of implementing two alternative system approaches for the delivery of state government services. The systems examined consist of Concept A, the existing system of service delivery, and Concept F, a Multi-Service Center system alternative. The examination of the fiscal condition of the State of Maryland combines a research effort (compiling data on budget, capital expenditures, debt service, etc.) with an interpretive effort (relating an increase in total debt outstanding to its effect on the individual taxpayer, for example).

A three step approach is undertaken as an analytical framework for examining the fiscal feasibility of implementing a service delivery system: (1) Identify system implementation costs, (2) Explore the fiscal condition of the State of Maryland and, (3) Compare the values identified in the previous steps to determine the fiscal impact of implementing the systems.

This report is presented in three parts, each corresponding to one step in the analysis. Part I, IMPLEMENTATION COSTS, arrays the total projected planning period costs (operational and capital) for the existing service delivery system and for the MSC alternative system with varying implementation rates. Part II, STATE FISCAL CAPACITY, looks at the Maryland State budget with a view to identifying major revenue sources and incremental changes in expenditures, both operational and capital. Part III, SYNTHESIS, applies the actual cost values associated with MSC system implementation developed in Part I, to the impact parameters of Part II, to identify the specific demands MSC implementation may be expected to make on available funding sources.

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